

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF ELECTRIC RATES OF BEREA	)	
COLLEGE ELECTRIC UTILITY, A DEPARTMENT	)	CASE NO.
OF BEREA COLLEGE	)	95-111

O R D E R

IT IS ORDERED that Berea College Electric Utility ("Berea") shall file no later than July 7, 1995 an original and 10 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to Exhibit 1, page 3 of 6, of the application. Provide the terms and conditions of the short-term debt of \$364,663.04 owed to Berea College and a copy of any contract(s) related to the short-term debt.

2. Refer to Exhibit 7, page 8 of 19, of the application.  
Explain the following:

- a. Student Labor.
- b. Adjustment for Employee on Medical Leave.

3. Refer to Exhibit 7, page 8 of 19, of the application.  
Is Berea also proposing an adjustment to payroll taxes to reflect the payroll increase?

4. Refer to Exhibit 7, page 9 of 19, of the application.  
Why is it appropriate to amortize this non-recurring expense?

5. Refer to Exhibit 7, page 11 of 19, of the application.  
Provide a schedule for utility plant retirements for the past 3 years.

6. Refer to Exhibit 7, page 18 of 19, of the application.  
For each bond issue provide the following:

- a. Itemized costs incurred to issue the bonds.
- b. Amortization period.

7. Refer to Exhibit 7, page 18 of 19, of the application.  
For the 1988 bond issue, provide the following:

- a. Maturity date.
- b. Total face value.
- c. Amount which was for the benefit of Berea.
- d. Case Number approving the issue.

8. Refer to Exhibit 7, page 18 of 19, of the application.  
Why should Berea's customers pay for the cost of the 1988 bond issue when the bonds are not reflected in the test-year-end balance?

9. Refer to Exhibit 8 of the application. Provide all workpapers, documentation, and the methodology used in determining the proposed rate of return on rate base of 8.44 percent.

10. Refer to Exhibit 8 of the application. Explain why Berea is using a January 31, 1995 balance of materials and supplies instead of using a 13-month average in its calculation of rate base.

11. Refer to Exhibit 8 of the application. Based upon the proposed net operating income of \$544,663, calculate the return on common equity and explain why this level of return is reasonable.

12. Refer to Exhibit 19, page 1 of 3, of the application. Identify any expenses that are allocated among the electric, water, heat, and telephone departments.

13. Refer to Exhibit 19, page 2 of 3, of the application. Identify all assets benefiting the electric, water, heat, and telephone departments.

14. Calculate the administrative charge using the methodology outlined on page 3 of 3 of Exhibit 19 of the application.

15. Refer to page 9 of 10 of Leigh A. Jones' Direct Testimony. Explain how Work in Progress was adjusted to include billing related to the electric distribution system improvement project.

16. Refer to page 11 of 20 of Mike Bethurem's Direct Testimony. Why should the payroll increase to become effective July 1, 1995 be included in the determination of the revenue

requirements of Berea based on a historic test period ending January 31, 1995?

17. Refer to page 13 of 20 of Mike Bethurem's Direct Testimony.

a. Explain why a ten year amortization period is considered reasonable instead of the eleven average remaining years.

b. Provide documentation supporting the statement that, ". . . the treatment of the amortization of unrecovered cost of utility plant is in accordance with commission precedent on similar issues . . . ."

18. Refer to page 14 of 20 of Mike Bethurem's Direct Testimony. Provide evidence that demonstrates that the proposed rate of return on rate base of 8.44 percent will allow Berea to continue to attract capital, either on its own or through the college.

19. Refer to Berea's response to Item 1, page 3 of 4, of the Commission's April 26, 1995 Order. For each account listed below, provide the reason(s) for the change in the test-year-end account balance from the balance in the same account in the prior year.

- a. Inventory.
- b. Accounts Payable.
- c. Other Current Liabilities.
- d. Transfer (To) From Berea College.

20. Refer to Berea's response to Item 3 of the Commission's April 26, 1995 Order.

a. Explain how Berea's capitalization strategy has changed over the past ten years during which equity investment has fallen to 6 percent of total capitalization.

b. Why does Berea include no retained earnings in its capital structure?

21. Refer to Berea's response to Item 4 of the Commission's April 26, 1995 Order. For each account listed below, provide the reason(s) for the change in the test-year-end account balance from the balance in the same account in the prior year.

a. Construction Work in Progress

b. Account No. F3910, Cash, page 1 of 6.

c. Account No. F3915, Materials and Supplies, page 1 of 6.

d. Account No. F3920, 1988 Bond Amortization, page 2 of 6.

e. Account No. F3930, 1992 Bond Amortization, page 2 of 6.

f. Account No. 3928, Accrued Interest, page 3 of 6.

g. Account No. F4064, Poles, Towers and Fixtures, page 4 of 6.

h. Account No. F4097, Communication Equipment, page 5 of 6.

22. Refer to Berea's response to Item 5 of the Commission's April 26, 1995 Order. For each account listed below, provide the reason(s) for the change in the test-year-end account balance from the balance in the same account in the prior year.

- a. Account No. U1013, Late payment Charges, page 2 of 9.
- b. Account No. U1014, Other Income, page 2 of 9.
- c. Account No. U1018, Cable Television Attachments, page 2 of 9.
- d. Account No. U1039, Meter Reading Payroll, page 3 of 9.
- e. Account No. U1044, Fringe Benefits, page 3 of 9.
- f. Account No. U1050, Equipment Purchases, page 4 of 9.
- g. Account No. U1051, Repairs, page 4 of 9.
- h. Account No. U1071, Electricity, page 4 of 9.
- i. Account No. U1072, Water, page 4 of 9.
- j. Account No. U1073, PCB Transformer Disposal, page 4 of 9.
- k. Account No. U1075, Capitalized Labor, page 5 of 9.
- l. Account No. U1076, Repair Labor, page 5 of 9.
- m. Account No. U1045, Office Supplies, page 6 of 9.
- n. Account No. U1052, Travel, page 6 of 9.
- o. Account No. U1053, Dues & Subscriptions, page 6 of 9.
- p. Account No. U1055, Sundry, page 6 of 9.
- q. Account No. U1056, Bond Trustee Expense, page 6 of 9.
- r. Account No. U1060, Consultant Services, page 6 of 9.

s. Account No. U1081, Bad Debt Expense, page 7 of 9.

t. Account No. U1062, Amortize Debt Financing Expense,  
page 9 of 9.

23. Refer to Berea's response to Item 8 of the Commission's  
April 26, 1995 Order.

a. Explain how Berea selected the providers of its  
legal, engineering, accounting, auditing, and other professional  
services.

b. State when Berea retained its current providers of  
these services.

c. How frequently is the use of these providers  
reviewed?

24. Refer to Berea's response to Item 12 of the Commission's  
April 26, 1995 Order.

a. Provide and justify the capitalization rates in  
effect during the test year.

b. Explain the statement ". . . labor expense for  
supervision is capitalized at a rate equal to 50 percent of the  
total labor expense of the service employees . . . ."

c. Justify the hourly rates used to capitalize  
equipment.

25. Refer to Berea's response to Item 13 of the Commission's  
April 26, 1995 Order.

a. Explain why wages capitalized increase from 9.6  
percent in 1993 to 84.9 percent in 1994.

b. Explain why the ratio of salaries and wages capitalized to total wages increased 80 percent from 1993 to 1994.

c. Explain how the 22.13 percent capitalization rate was found to be reasonable.

26. Reconcile the total test-year-end wages and salaries of \$296,130 as shown in the response to Item 14 of the Commission's April 26, 1995 Order with total wages and salaries of \$291,546 as shown in Exhibit 7, page 7 of 19 (exclusive of test year overtime totalling \$10,547 as shown on page 8 of Exhibit 7).

27. Refer to Berea's response to Item 15 of the Commission's April 26, 1995 Order. Provide the following:

a. The payroll tax expense for the test year for Berea.

b. A schedule showing payroll tax expense on a per employee basis.

c. The rates for each tax listed.

d. Workpapers supporting accrued vacation pay.

28. Refer to Berea's response to Item 16 of the Commission's April 26, 1995 Order.

a. Provide the test year actual cost for each employee benefit.

b. Explain why the total cost of employee benefits is treated as an expense.

29. Refer to Berea's response to Item 18 of the Commission's April 26, 1995 Order. For each of the following, provide a description of the goods or services purchased during the test



year. Indicate whether these expenses reflect recurring transactions. Also indicate whether the test-year level of expense reflects a reasonable, on-going level of expense for Berea.

- a. Peoples Restaurant, 2/14/94.
- b. Micro Warehouse, 2/2/94.
- c. Steinberg's, 4/11/94.
- d. Berea Hospital, 8/1/94.
- e. SCT Software/Resource, 10/5/94.
- f. Travel Expense, 3/14/94.

30. Refer to Berea's response to Item 20 of the Commission's April 26, 1995 Order. Explain the Kentucky Utilities Overcharge Case and if it is a recurring expense.

31. Does Berea College provide postretirement benefits other than pensions to its employees?

a. If so, was any of that cost allocated to Berea for the college employees who perform services for the utility? If yes, provide a schedule showing the amount of postretirement benefits other than pensions allocated and the method of allocation.

b. If the college provides postretirement benefits but none of the cost was allocated to the utility, explain why there was no allocation of the cost of these benefits.

32. Reference Notice Exhibit 7, page 11 of 19.

a. Of the \$3,531,302.51 in Utility Plant Additions, identify the amount that was actually in service as of January 31, 1995.

b. For any plant not in service as of January 31, 1995, state the expected in service dates and explain why these amounts should be considered.

33. Explain whether Purchased Power Expense includes any expenses for substation leasing which are not expected to recur.

34. Explain how rates were determined for the new street lighting and private lighting tariffs for 70 watt, 100 watt, and 250 watt high pressure sodium lights. Provide workpapers, invoices or other records that show how the lighting components were priced, and monthly KWH usage or other records that explain the monthly usage and cost of the energy component of the light.

35. Refer to Exhibit 13, page 1 of the application. Explain fully the KWH and dollar adjustment to the test year rates.

36. Refer to Exhibit 13, pages 9 and 10, of the application. Under the proposed rate structure, Industrial Class 3 shows an increase of 10 customers. Explain how these customers were served under existing rates, and the rationale for moving them into Industrial Class 3.

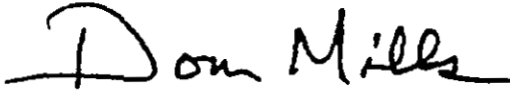
37. Buechel Direct Testimony, page 6, proposes to reduce residential rates from three rate blocks to two rate blocks. Exhibit 3, page 1, also shows two rate blocks, but Exhibit 13, page 9, still shows three rate blocks under proposed rates. Explain or reconcile these differences.

Done at Frankfort, Kentucky, this 23rd day of June, 1995.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director